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TO : THE DEPARTMENT OF STATE, WASHINGTON.

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SUBJECT: Conversation with a First Secretary of the Soviet Embassy

The reporting officer has met Mr. Georgi Rodionov, a First Secretary at the Soviet Embassy, on several occasions at meetings of the Association of Foreign Economic Representatives in London. It is understood that Mr. Rodionov mixes quite freely with the officials of other diplomatic missions in London, and his invitation to lunch at the Dorchester Hotel on September 23 was accepted.

A memorandum of the conversation was prepared and was brought to the attention of Ambassador Kennan while he was at this Embassy. He suggested that particular attention be paid to questions and lines of conversation developed by Mr. Rodionov. The following report of the September 23 conversation goes into considerable detail on the understanding that some items of apparently small importance might take on greater significance as part of a wider picture.

The conversation was conducted on a friendly basis as between two practising economists with certain problems in common. Remarks by the reporting officer were limited mainly to comments on questions raised by Mr. Rodionov and to some general observations concerning the effects of Keynes' contributions to economic theory. He gave the impression that he had not talked to very many other Americans.

He said he had been trained as a specialist in industrial planning but had been shifted to foreign affairs work because of his knowledge of "that important language, Japanese". He disclaimed any facility with the English language although he has been in London about two years. In conversation, he appeared to halt frequently to find the exact word he wanted. He said he occasionally has difficulty understanding capitalist economics but that he has many friends in the diplomatic corps and they help him understand the subject. He said it is his responsibility to analyze the financial, industrial and agricultural aspects of the British economy and that he makes quarterly reports to his government.

Against this background, he asked several questions. Occasionally he would preface a question by saying "This matter is not secret, of course", or "This information is published", etc. He raised questions about the following subjects:

1. Sources of information on American overseas investments. He said that he sees the Survey of Current Business but that it does not give quite the information he wants. He remarked that it is the "only" source of certain statistical

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REPORTER

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information about the American economy but he did not seem to understand clearly that it is an official, as distinct from a private, publication. I observed that reliable statistics on American overseas investments are not easy to come by and that such information as is available could best be obtained in Washington. It was suggested that he request someone at the Soviet Embassy there to consult the Library of Congress. He replied that he was hesitant to ask his government's Washington representatives to do this, and gave the understanding that he wanted information on U. S. investments in Britain since his responsibility is to understand the British economy.

2. The Defense Materials Procurement Agency. He asked if the reporting officer knew very much about this organization which, he said, the public knows has an office in London. I said I could only infer its responsibilities on the basis of its title, namely to procure defense materials. He then said, somewhat reflectively, "To procure, that means to buy?" I replied that it does.

3. IMF and IBRD. He asked whether these organizations seem important "from a practical point of view". The reply was, in general terms, that the world economy had not developed as it had been expected to when the IMF and IBRD were set up, and that as a result, the IMF has not had as much to do as had been hoped. I said I thought it serves a valuable purpose by holding before member countries the ideal of multilateral non-discriminatory trade and that it provides an important forum for responsible officials to meet annually and discuss common problems. He said it was not because of him that his government was not a member of it and I replied that I thought it would be a good thing if his government were a member. I made a few general observations about the activities of the International Bank but he made no comments on this institution. He assented when I recalled that his government had taken part in the Bretton Woods meeting at which these institutions were set up.

4. A wider scope of EPU membership. He alluded to a recent article in the Economist's Intelligence Report which had discussed the possibility of Latin American countries adhering to EPU. He said he "mistrusted" the Economist on this point. I pointed out to him that this idea had been mentioned in the most recent EPU Annual Report, which he seemed not to have seen, and added that the Economist was probably discussing the idea merely as one that is now in the wind. I pointed out that in an earlier issue the Economist Intelligence Report had discussed the possibility that my country might adhere to EPU. He laughed at mention of the latter point and said he knew something about Latin America and thought it out of the question that countries there would join the EPU. When asked why, he said that they too had economic difficulties and implied that they could not give any assistance to EPU. He said if two countries have economic difficulties they can accomplish something by trading with each other, implying that several such countries acting together would not be able to "assist each other". I pointed out that progress had been achieved in EPU and made some elementary points about the advantages of multilateral clearings in contrast to bilateral clearings. He seemed to be interested in this general discussion and conveyed the impression that he had not thought about this matter before.

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In a general vein, it was suggested that he would find it easier to follow economic developments in the capitalist countries if he would study Keynes' contributions to economic theory and read some books on this subject. He seemed grateful and it was not clear how much he knew about the importance of Keynes' work. He asked whether his ideas had been accepted "by everybody". I replied that nearly all practising economists now make use of tools developed by Keynes but that his analyses had certain political implications which were controversial and that in my country his ideas were sometimes associated with the policies of President Roosevelt. He asked whether Keynes agreed with the doctrines of Ricardo. (This question seemed particularly interesting since Marx' economic theories - which were not discussed - are definitely based upon Ricardo's doctrines.) I replied that Keynes disagreed at many points with Ricardo and that in his work he had, in effect, gone back to certain ideas found in Adam Smith but not treated at all by Ricardo.

It was suggested that he visit the Economists' Book Shop in London, where he would find a useful assortment of books on economic principles and practices by both British and American writers. He gave the impression that he would pay a visit to this book shop.

Upon parting, he thanked me for my "help" and said he would like to show my wife and me some films he had which consisted of selections from Russian opera, ballet and music. He commented, in what seemed to be a wistful tone, "There are no politics in these films," and added that some of his London friends had enjoyed seeing them.

Future conversations with Mr. Rodionov will be reported.

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